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**Hearing: China's Global Strategy and U.S. Policy Responses**

Introduction

Chinese foreign policy has changed dramatically over the course of the last decade. PRC leaders have shed the principles upon which Deng Xiaoping shaped China's foreign policy in the modern era – principles such as “bide our time, build our capabilities” and “never take the lead.” China pursues its interests today through a more creative and pro-active diplomacy. In addition, China has greater capabilities and a widening “tool box” available as the means to pursue its foreign policy goals. The net effect is that China is choosing deeper engagement and involvement with the outside world, and is increasingly effective at promoting its interests – even in the cases where its interests clash with the United States and other established powers.

Understanding the character and nature of Chinese foreign policy is a necessary element for crafting a U.S. policy response – but it is insufficient in and of itself for the task of crafting the most sophisticated and effective U.S. policy. In addition to seeing China's capabilities and acknowledging its willingness to actively employ its capabilities, it would also be helpful to understand China's strategic intent that drives foreign policy decisions. Clarity regarding *both* capability and intent is most desirable from a U.S. government perspective.

As an outside power, achieving a clear understanding of Chinese strategic intent is highly problematic -- a point on which my statement will further elaborate below. The challenge is two-fold. First, the Chinese government remains opaque and suspicious of outsiders, and thus is reluctant to be transparent on these matters. And second, China may be in the midst of making strategic decisions at this current juncture, and doesn't have a clear, cogent strategy from which to make foreign policy decisions.

A Chinese Global Strategy?

China does not publish a national security strategy report (the closest document is the National Defense White Paper from which I will quote extensively – though much of the focus of that document is on arcane military administration), and it does not have a national security council to articulate such a strategy. Further, as stated above, China is an opaque country to those attempting to look in from the outside. China is often in the business of obscuring the actual intent behind its actions.

It may also be true that Chinese leaders are operating and making foreign policy decisions in the absence of clear strategic guidance. As the U.S. Department of Defense report on the Chinese Military states “China faces a strategic crossroad. It can choose a pathway of peaceful integration and benign competition. China can also choose, or find itself upon, a pathway along which China would emerge to exert dominant influence in an expanding sphere...the future of a rising China is not yet set immutably on one course or another.” In other words, China's strategic direction may be “to be determined.”

Without an official statement of strategic intent, and with some reason to suggest strategy is still a matter of internal debate in China, we are left to make our best educated guesses about

China's strategic direction. Our best guess, however, can be informed guess. Chinese leaders give public speeches on a range of foreign policy issues. There is an increasing body of scholarly work produced by talented Chinese scholars who articulate well-formed views on strategies that would best promote Chinese interests. And probably most important of all, we have a growing "data set" of Chinese decisions and actions when taken as a whole shed light on China's strategic direction.

My own conclusion is that China is operating with a primary goal – to use a golf analogy – of "improving its lie." In other words, if there does indeed exist a strategic objective for the Chinese, it is focused on further developing its comprehensive national power, and further promoting its position in the world to be a more influential and more powerful country. The very essential questions related to Chinese intentions once it has acquired power and influence may be unanswerable, or even may be unknown to China's leadership.

This observation may not be satisfying to those desirous of clarity regarding China's future, and the associated questions surrounding the future of U.S.-China relations. However, it is a nonetheless significant observation when one gives consideration to how this might explain current Chinese decision making, and what it may tell us about the major elements of China's overall approach to the outside world.

### Building China's Comprehensive National Power

China's own 2004 National Defense White Paper identifies as a basic goal in maintaining national security: "To safeguard the interests of national development, promote economic and social development in an all-round, coordinated and sustainable way and steadily increase the overall national strength." In other words, to be secure in the international environment entails increasing strength at home.

The language and the concept may at first glance deceive. It suggests a focus inward for Chinese leaders. However, developing China's strength is no longer about ideological purity and rooting out Capitalist Roaders – the objective of increasing China's national strength inextricably links China to the outside world, and compels a more assertive foreign policy. This is true in large measure because Chinese power can only increase if its economy remains strong. And further, the health and well-being of the Chinese economy is absolutely tied to the way it interacts in the world beyond its national borders.

Four aspects of Chinese interaction with the outside world deemed critical to the success or failure of the Chinese economy, also serve to inform us about Chinese diplomacy and foreign policy. First, China is highly dependent on the outside world for energy resources – and its demands continued to surge. Again according to the U.S. DoD report, "China currently imports 40% of its oil. By 2025 this figure may rise to 80%." China perceives an increasing "energy vulnerability" and seeks to minimize risk to its economy by establishing secure access to energy. This has motivated China to aggressively pursue energy agreements with a variety of countries, including countries with which the United States has very poor relations. Chinese interests in places like Sudan, Iran, and Venezuela potentially motivate China to take actions that produce outcomes contrary to U.S. interests. This national-level goal likely motivates the Chinese government to support the efforts of "semi-private" Chinese companies in their respective commercial dealings. China also has a growing interest in secure "logistical means" for the delivery of energy from the outside world into China. The implications for China's approach to its neighbors in Central Asia, and toward countries bordering key sea lines of communication are apparent.

Second, China is highly dependent on the outside world for foreign investment in the broadest sense – this would include foreign direct investment, of course, but also includes a continuing dependency on foreign “know-how” in terms of management and business strategies, and access to foreign technology. In 2002, China surpassed the United States as the number one destination for foreign direct investment. While the investment is still largely oriented to the manufacturing sector, over time investment is achieving greater diversification. Leading outside sources of foreign investment into China are the United States, Taiwan, Japan, and the EU. These are the same countries largely involved in running many businesses in China, and provide access to new technologies.

Third, China is highly dependent on the outside world for its markets for exports. The Chinese domestic consumption has yet to achieve a state where it can support the robust production coming from China’s manufacturing base. China enjoyed a global trade surplus at a value around \$39.6 billion in the first half of 2005. Its greatest surplus is with the United States – something well known and well-documented by the Commission. While the U.S. has legitimate concerns about such a large trade deficit with China and the implications for our own manufacturing base, it is also true that China has developed a dependency on American and other foreign consumers. This dependency not only has implications for China’s relations with countries representing current export destinations, but also China’s efforts to develop and promote new commercial relationships.

And fourth, China’s wealth is increasingly held in foreign currency and foreign assets – primarily U.S. dollars. Again, this may give China some leverage over the United States in ways that should cause of discomfort – but it is also true that the value of their holdings and their wealth is increasingly dependent on a strong U.S. economy.

Another aspect of developing China’s national power is increasing the strength and capabilities of its military. Again, such an objective ensures robust interaction between China and the world outside its borders. China’s 2004 Defense White Paper identifies the goal to “modernize China’s national defense in line with both the national conditions of China and the trend of military development in the world.” China remains dependent on Russia for military hardware and servicing of military systems, and is dependent on the Western world for dual-use high technology. Such dependency in part explains China’s evolving relationship with Russia, and why it pursued the EU arms embargo with such vigor.

Finally, China’s ability to grow its power domestically entails sustaining control of where it invests national resources. For China to modernize its economy and grow its wealth, China cannot afford major diversions of resources to causes unrelated to the objective of strengthening national capabilities. In short, China needs stability in its neighborhood and in its relations with other great powers so that resources are not diverted from roads, bridges, hospitals, schools, etc. China has pursued robust diplomacy on its periphery to secure a stunning number of border agreements over the last decade, including on historically contentious borders with Russia, India, and Vietnam. China’s interest in stability may also explain a mostly consistent approach toward the United States in the form of positive engagement.

#### Promotion of Multi-polar Order and the New Security Concept

Improving China’s “lie” is not limited to nurturing its economic development at home and growing its comprehensive national power. It also entails improving China’s relative standing in

terms of power and influence vis-à-vis other countries – in this regard, China primarily has the United States in mind.

Chinese speeches and writings are steeped with language against hegemony, and for the promotion of a multi-polar world. Recently in Gleneagles, President Hu Jintao noted “world multipolarization and economic globalization moving ahead” and emphasized the need to “work for a common future through win-win cooperation.” Li Zhaoxing has been more direct as he was in a 2004 interview say “hegemonism has been a threat to development. Nobody in the world likes hegemonism, and everyone opposes hegemonism and advocates multi-lateralism.” Some Chinese leaders go even further when they offer assurances related to a future environment where China has a greater say in things – Wen Jiabao said earlier this year “Even if we grow strong in the future, we will hinder nobody, not to mention threatening anyone. China will never seek hegemony!”

In the defense community within China, further structure has been granted this vision of multi-polarity, anti-hegemony in the form of what defense officials describe as the “new security concept.” Again to quote China’s 2004 Defense White Paper, it is a stated goal “to pursue an independent foreign policy of peace and adhere to the new security concept featuring mutual trust, mutual benefit, equality and coordination with a view to securing a long-term and favorable international and surrounding environment.” In formal presentations, senior leaders of the PLA have stated that bilateral alliances and military basing outside one’s sovereign territory is inconsistent with the new security concept.

In the current environment, the notion that world multi-polarization is moving ahead is likely more theoretical than reality. However, it should not be dismissed as only China’s “wishful thinking.” It is a vision that animates some Chinese foreign policy decisions, even if in subtle ways. It also represents the most direct challenge to U.S. policies and the U.S. position in the world. When China speaks of hegemonists it is a thinly veiled reference to the United States. When it speaks of multi-polarity, almost by definition it is statement of intent to see a relative diminishment of U.S. power and influence.

There are real foreign policy consequences and potential impact on U.S. interests stemming from a stated “anti-hegemonist, pro-multipolar” vision. China has worked steadily to improve relations with countries in Europe which is commendable. However, some Chinese scholars see this as a move to strengthen relations as a hedge against U.S. influence. China’s newfound strategic relationship with Russia also appears to be subtly oriented against the United States. And China seems quick to court any nation that seems disaffected by the United States (e.g. the Philippines after President Arroyo’s decision to withdraw from Iraq).

China has also invested energy and resources into empowering multi-lateral organizations in which the United States is not a member, and at the same time, orienting the agendas of such organizations to hedge against U.S. influence. Last month, China initiated a proposal within the Shanghai Cooperation Organization (SCO) that Central Asian countries should set a date certain for the withdrawal of U.S. troops from those same countries. This was a clear attempt to address a very important issue to the United States (the troops are deployed to help prosecute the war on terror) in a forum in which the United States does not even participate. China is also actively promoting the development of an East Asia Summit (EAS). This remains an event with no known agenda, and no final participant list. The only clarity seems to be that the EAS is a Chinese initiative, and the United States is not invited.

Just Being There

In addition to growing national power, and encouraging anti-hegemonism & multi-polarity, China has a growing appreciation that being a global power entails engagement, participation and representation on every continent on the globe, and in every meaningful multi-lateral organization. Part of “improving its lie” means you don’t allow meaningful conversations to take place without you being in the room. China has joined organizations such as the Organization for American States as an observer, seeks a seat on the Inter-American development bank, has increased international development aid to Africa and the Pacific Islands, and has become an active participant in international peacekeeping (including sending 125 peacekeepers to Haiti). While one could parse each decision individually and find an anti-Taiwan motive, or energy security motive, perhaps the true motivation for such engagement might simply be a desire to be at the decision table “just in case.” Even if China lacks a coherent global strategy, it can still be true that it harbors global ambitions. In this regard, China may feel as though remote corners of globe cannot be completely ignored if other outside countries are involved and engaged. “Just being there” may also contribute in some intangible ways to China’s status and image as a global power, thus translating into increased influence.

### Taiwan

Taiwan is a sui generis issue for China and deserves special and distinct mention. One should not underestimate the neuralgia among Chinese leaders on questions related Taiwan, and the implications for Chinese foreign policy. Whereas there may be a lack of clarity regarding China’s overall strategic direction, there is complete clarity on the question of Taiwan. China does not tolerate suggestions that Taiwan is anything but China’s sovereign territory. This animates Chinese foreign policy in consequential ways and its behavior in the world. China uses foreign aid as an incentive to lure countries away from sustaining diplomatic relations with Taiwan. It pressures countries with which it has relations to avoid any positive interaction or engagement with Taiwan at all. And it uses its influence in multi-lateral and multi-national organizations to isolate Taiwan as much as possible. China has arguably enjoyed some success in its campaign to isolate and coerce Taiwan – but it may ultimately be an Achilles heel to China if it allows its emotions over Taiwan to drive decisions that are otherwise irrational in terms of China’s own interests.

### US Policy Response

President Bush referred to the US-China relationship as “very good, and very complex.” This is an odd way to describe a relationship. However, it strikes me as a concise, even eloquent way of speaking about the unique challenge we face from China’s ascent, and its more assertive participation in global affairs. Though we have quality and constructive interactions with China, our profound differences over such core value issues as human rights and religious freedoms prevent truly close partnership.

I believe our orientation to the challenges associated with China should consist of three elements. First, our approach to China should be rooted in a clear vision for Asia, and a strong Asia strategy that accounts for China’s ascent. Though I would not hazard to offer a complete Asia Strategy in this statement, I will suggest below some of the key elements of an approach to Asia that may give us an enhanced ability to meet the challenges associated with China. Second, the U.S. should continue to promote comprehensive and sophisticated engagement of China. And third, we should begin to address challenges of a global nature – particularly the energy challenge – in a direct, head-on manner during what is still an early juncture in China’s transformation to country with a global power mentality.

Regarding Asia, the United States should seek to sustain and strengthen bilateral alliances with Japan, Australia, and South Korea – with a particular focus on the U.S.-Japan alliance. While it is true that virtually every paper on U.S. policy toward Asia begins with this point, it is not a mere platitude. As China increases in importance, it might lead some to make sacrifices in our relationship with Japan in the hopes of accommodating China. That would be a mistake. The United States should welcome Japan's emergence as a more pro-active player in Asia, and we should grow more comfortable as an alliance in planning for future uncertainties in the security environment -- China's posture in Asia very much included. On questions of "Asian history" we can stand back – but we should in no way posture ourselves as neutral if China provokes tension in its relationship with our treaty ally Japan.

The United States should strengthen relationships in Southeast Asia, and demonstrate a genuine interest in the problems and challenges of friendly countries there. Many in Southeast Asia look at the United States as "Johnny One Notes" on Counter-terrorism issues. Though this is unfair (particularly in light of our generous response to the Tsunami tragedy), there is a perception of the United States that we haven't countered effectively enough. While we cannot prevent China from pursuing quality relations in Southeast Asia for herself (nor would we necessarily want to), we can demonstrate that we are still a better interlocutor, partner, and reliable friend in times of need. In short, we will not "beat China" by countering Chinese policies, but we can gain advantage by offering an even better Southeast policy of our own. Strengthening ties with Singapore, Indonesia, Vietnam and ASEAN as an institution are key for U.S. interests. The United States might consider ways to resume cooperation with New Zealand under the ANZUS treaty for certain "carve outs" (e.g. PSI exercises or CT exercises). Despite our differences over the nuclear issue, a partial revival of ANZUS would be a powerful message to Southeast Asia of our enduring interest in the region.

It is essential that the United States adopt a force posture that is appropriate for 21<sup>st</sup> century challenges in Asia – the uncertainties related to China's strategic direction very much included. While its true current efforts to review force posture are long overdue in Asia, it is also true that the timing of our efforts have caused widespread concern. Many in Asia believe a force posture review is cover to re-orient our forces to the Middle East and elsewhere outside of Asia. The United States can send early signals to counter these perceptions. For example, the United States could commit to sustain a presence that is even greater than what our force posture today offers. This does not have to be accomplished through traditional permanent basing. Rather, the U.S. can commit to more robust long-term training, and more diverse training locations (as far and wide as Australia – where we are to develop a new joint training facility – to Mongolia – where the U.S. has the chance to increase funding for Mongolia's international peacekeeping training center at Five Hills).

The United States should seek to strengthen existing multi-lateral organizations like APEC and ARF. Asians have historically preferred their multi-lateral organizations weak. The United States, however, should not miss an opportunity to promote our interests through the vehicle of multi-lateral organizations, particularly as China endeavors to empower organizations in which the U.S. is not a member. Introducing a security agenda into APEC three years ago was a good first step (and it should not go unnoticed that China is the single biggest obstacle to forward movement on that agenda today). However, the United States' financial contributions to APEC are paltry (for example, they are a mere fraction of our contributions to OECD despite that fact that APEC economies account for a much larger percent of our trade). The U.S. can still be an agenda setter in these organizations, and we should not fail to do so.

And the United States should also explore the creation of new multi-lateral security mechanisms. China is aggressively pushing for an East Asia Summit (EAS). There is still no agenda or clear participant list for such a meeting – we only know the United States is not invited. One possibility might be an initiative to hold a meeting between the United States and all its treaty allies in Asia, plus Singapore. Others have suggested sponsoring a meeting of like-minded democracies in Asia. While China may rhetorically complain such gatherings are designed to plan against them, we would almost certainly have a broad agenda to discuss with our friends that would touch only tangentially on China (issues like counter-terrorism, maritime security, counter narco-trafficking, etc).

Sustaining U.S. bilateral engagement with China is also key to securing positive outcomes for the United States. Some might read the paragraphs above as descriptive of a plan to “contain” or “constrain” China. Not only would containment efforts fail, they would likely lead to a diminishment of U.S. influence in Asia, rather than an improvement in our standing. I believe that the core elements to the policy chosen by every Administration over the course of the last 35 years are sound. To critics, a policy of broad engagement of China is more descriptive of a “process” rather than an actual “policy.” But it remains true that broad, comprehensive engagement of China allows the United States to pursue our interests in areas where the U.S. and China agree, while minimizing the chance of conflict resulting from areas where we disagree. There is also sufficient evidence that our broad engagement of China has contributed on the margins to internal change in China for the better.

It is essential that the leadership in the United States speaks with clarity about our vision for China, and that our actions match our words. Welcoming a China that is more influential & powerful, and welcoming China's active participation in regional and global matters in word and deed is critical for making the right kind of impact on Chinese leaders. This should not take away from our message that we will seek to shape the environment, as well as be prepared to deal with China if it chooses an adversarial route.

There are likely new opportunities to add to our traditional modalities for engagement of China. For example, the U.S. and China can intensify attention to so-called “global issues.” As Wen Jiabao conveyed while visiting the United States in December 2003, any problem magnified by 1.4 billion people is a very large problem. Environmental degradation and inattention to infectious disease are not problems that can be confined to within China’s borders. Investment and attention to these areas make a direct contribution to the globe’s well-being.

I also believe we should intensify, not weaken efforts to promote human rights and religious freedom in China. As China’s influence grows, the tendency of most countries will be to curtail criticism of China’s internal practices. China is clever in its diplomacy in that it often conveys to interlocutors that “non-interference” in Chinese affairs is the price of admission for a quality relationship with China. However, the best hope for a constructive China in regional and global matters still rests in the hopes of a reformed China.

As an issue related to our direct engagement of China, I also endorse sustained U.S. support for Taiwan. As stated before, Taiwan is *sui generis* for Chinese leaders – it may even be viewed as a regime survival issue. I believe sustaining Taiwan’s current status is of increasing importance to the United States as China emerges as a country with regional and global ambitions. Taiwan is a democracy, a free market economy, respectful of human rights and religious freedoms, a like-minded friend on matters related to counter-terrorism and combating proliferation, and a major investor in China. Taiwan is poised to be part of what changes China for the better if Taiwan is

preserved as a free democracy. It also has the potential for high quality regional citizenship (e.g. major contributor to Tsunami relief; leader in research and investment for combating infectious disease) if it orients its foreign policy accordingly.

The third element I mentioned is the need to address areas of potential tension head-on as China emerges as a stronger global player. Chief among such issues in my view would be the energy security challenges. Though there may be numerous potential sources for tension, questions related to the growing competition over energy resources are in many ways the least understood, and the most dangerous. China's foreign policy is increasingly driven by what it perceives as its requirement to establish secure access to energy. A survey of various Chinese diplomatic initiatives would suggest that China may perceive the issue as a zero-sum equation. Adopting such a framework is opting for train wreck. If addressed directly, there may be an opportunity to re-cast energy requirements in the minds of Chinese leaders. Growing needs for energy creates not just competition – but also a range of shared interests. We should vigorously pursue Chinese involvement in Maritime Security, non-proliferation practices, and operations to promote stability in the Middle East all under the banner of energy security.

### Conclusion

A profound transformation has occurred in Chinese foreign policy. In Foreign Affairs in 2003 Taylor Fravel and Evan Medeiros noted that Chinese scholars write less about a Chinese foreign policy motivated by “150 years of shame and humiliation” and more frequently about the need to adopt a “great power mentality.” This transformation in self-perception is informing a more robust and creative diplomacy for China.

What is observable verifies that China is growing in terms of its comprehensive national power and is more willing and able to promote its interests through the exploitation of its power. What cannot be observed nor quantified with specificity is a Chinese global strategy. This may be the result of intentional Chinese obfuscation, or a reflection of the fact that China lacks a clear strategy. Nonetheless, we can observe that China is enthused with the notion of acquiring more power and influence -- even if it does not have a fully formed view as toward what end its influence may ultimately be used.

Given this framework, we can still make assumptions about current and future Chinese decision-making, as well as a starting point for the formulation of the best U.S. policy options. Some of the elements I've noted with respect to China's interests contain apparent contradictions – for example, the need for U.S. foreign direct investment, access to the U.S. market, and the need for stability in relations with the United States all lead one to conclude China will continue to require good relations with Washington. Yet at the same time, China's vision for an “anti-hegemonist, multi-polar world,” and its insecurity over Taiwan suggest there are difficulties ahead.

China will continue to face discrete decision points in the global arena that will impact U.S. interests, and those of our friends and allies. It is important that China sees incentive in making choices that lead it down a path of peaceful integration and benign competition. The United States and others have an opportunity through engagement with China, through shaping the environment of the region in which China resides, and through framing issues such as energy security as win-win to persuade Chinese leaders to make the right decisions.